

Helium Stewardship Act of 2013

Public Scoping Meeting

**Amarillo, Texas
March 6, 2014**

**Bureau of Land Management
New Mexico State Office
Amarillo Field Office**



Scoping Meeting Objectives

- The objectives of the Helium Stewardship Act scoping meeting are to:
 - inform public stakeholders about the new legislative requirements; and
 - solicit relevant, focused input from stakeholders on the issues of:
 - Helium Tolling
 - Helium Pricing Methodology
 - Helium Auctions



Meeting Format and Agenda

- Ground Rules
- Introduction to Helium Stewardship Act of 2013 (Robert Jolley, BLM)
- Presentation of Scoping Issues (Sam Burton, Assistant Field Manager for Helium Operations)
- Break
- Public speakers (PowerPoint and up to 2-page, double-sided handouts are allowed)
- Question & Answers (will begin after all who are interested in speaking have spoken)



Ground Rules

- Respectful behavior
- Please put cellphones on silent or vibrate
- Please use the microphones provided
- 5 minutes per speaker chosen by “first come, first served” signup sheet
- Listen...clapping, cheering or jeering disrupts speakers.
- No signs, placards, posters, banners, etc.



Helium Stewardship Act of 2013

- Public Law 113- 40 signed on October 2, 2013
- Seeks to mitigate a helium shortage by enabling the sale of crude helium from the Federal Helium Reserve
- Increase taxpayer returns and stimulate investment in private helium sources by selling crude helium at market-driven prices
- Provide for an orderly transition among four phases, resulting in minimal market disruption to end users:
 - *Phase A: Allocation Transition*
 - *Phase B: Auction Implementation*
 - *Phase C: Continued Access for Federal Users*
 - *Phase D: Disposal of Assets*



Key Definitions:

■ **PRIORITY PIPELINE ACCESS**

- *The term “priority pipeline access” means the first priority of delivery of crude helium under which the Secretary schedules and ensures the delivery of crude helium to a helium refinery through the Federal Helium System.*



Key Definitions:

■ **QUALIFIED BIDDER**

- ❑ *(A) IN GENERAL.—The term “qualified bidder” means*
- ❑ *a person the Secretary determines is seeking to purchase helium for their own use, refining, or redelivery to users.*
- ❑ *(B) EXCLUSION.—The term ‘qualified bidder’ does not include a person who was previously determined to be a qualified bidder if the Secretary determines that the person did not meet the requirements of a qualified bidder under this Act.*



Key Definitions:

- **QUALIFYING DOMESTIC HELIUM TRANSACTION**
 - *The term “qualifying domestic helium transaction” means any agreement entered into or renegotiated agreement during the preceding 1-year period in the United States for the purchase or sale of at least 15,000,000 standard cubic feet of crude or pure helium to which any holder of a contract with the Secretary for the acceptance, storage, delivery, or redelivery of crude helium from the Federal Helium System is a party.*



Key Provisions

■ **SEC. 5. STORAGE, WITHDRAWAL AND TRANSPORTATION**

(a) IN GENERAL. - If the Secretary provides helium storage, withdrawal, or transportation services to any person, the Secretary shall impose a fee on the person that accurately reflects the economic value of those services.

(d) TREATMENT. - All fees received by the Secretary under this section shall be credited to the Helium Production Fund established under section 6(e).



Key Provisions

(e) STORAGE AND DELIVERY. - In accordance with this section, the Secretary shall—

- ❑ (1) allow any person or **qualified bidder** to which crude helium is sold or auctioned under section 6 to store helium in the Federal Helium Reserve; and
- ❑ (2) establish a schedule for the transportation and delivery of helium using the Federal Helium System that –
 - (A) ensures timely delivery of helium auctioned pursuant to section 6(b)(2);
 - (B) ensures timely delivery of helium acquired from the Secretary from the Federal Helium Reserve by means other than an auction under section 6(b)(2), including non- allocated sales; and
 - (C) provides priority access to the Federal Helium Pipeline for in-kind sales for Federal users.



Key Provisions

■ **SEC. 6. SALE OF CRUDE HELIUM.**

(a) PHASE A: ALLOCATION TRANSITION. —

(1) IN GENERAL. — The Secretary shall offer crude helium for sale in such quantities, at such times, at not less than the minimum price established under subsection (b)(7), and under such terms and conditions as the Secretary determines necessary to carry out this subsection with minimum market disruption...

(b) PHASE B: AUCTION IMPLEMENTATION. —

(1) IN GENERAL. — The Secretary shall offer crude helium for sale in quantities not subject to auction under paragraph (2), after completion of each auction, at not less than the minimum price established under paragraph (7), and under such terms and conditions as the Secretary determines necessary -

(A) to maximize total recovery of helium from the Federal Helium Reserve over the long term;

(B) to maximize the total financial return to the tax- payer;...



Key Provisions

(2) AUCTION QUANTITIES. - *For the period described in paragraph (4) and consistent with the conditions described in paragraph (8), the Secretary shall annually auction to any qualified bidder a quantity of crude helium in the Federal Helium Reserve equal to -*

(A) for fiscal year 2015, 10 percent of the total volume of crude helium made available for that fiscal year;

(B) for each of fiscal years 2016 through 2019, a percentage of the total volume of crude helium that is 15 percentage points greater than the percentage made available for the previous fiscal year; and

(C) for fiscal year 2020 and each fiscal year thereafter, 100 percent of the total volume of crude helium made available for that fiscal year.



Key Provisions

(7) PRICES.—*The Secretary shall annually establish, as applicable, separate sale and minimum auction prices under subsection (a)(1) and paragraphs (1) and (2) using, if applicable and in the following order of priority:*

(A) The sale price of crude helium in auctions held by the Secretary under paragraph (2).

(B) Price recommendations and disaggregated data from a qualified, independent third party who has no conflict of interest, who shall conduct a confidential survey of qualifying domestic helium transactions.

(C) The volume-weighted average price of all crude helium and pure helium purchased, sold, or processed by persons in all qualifying domestic helium transactions.

(D) The volume-weighted average cost of converting gaseous crude helium into pure helium.



Key Provisions

(8) TERMS AND CONDITIONS.

(A) IN GENERAL. - The Secretary shall require all persons that are parties to a contract with the Secretary for the withdrawal, acceptance, storage, transportation, delivery, or redelivery of crude helium to disclose, on a strictly confidential basis—

(i) the volumes and associated prices in dollars per thousand cubic feet of all crude and pure helium purchased, sold, or processed by persons in qualifying domestic helium transactions;

(ii) the volumes and associated costs in dollars per thousand cubic feet of converting crude helium into pure helium; and

(iii) refinery capacity and future capacity estimates.



Key Provisions

(B) CONDITION.—As a condition of sale or auction to a refiner under subsection (a)(1) and paragraphs (1) and (2), effective beginning 90 days after the date of enactment of the Helium Stewardship Act of 2013, ***the refiner shall make excess refining capacity of helium available at commercially reasonable rates to—***

(i) any person prevailing in auctions under paragraph (2); and

(ii) any person that has acquired crude helium from the Secretary from the Federal Helium Reserve by means other than an auction under paragraph (2) after the date of enactment of the Helium Stewardship Act of 2013, including nonallocated sales.



Key Provisions

(f) MINIMUM QUANTITY.—*The Secretary shall offer for sale or auction during each fiscal year under subsections (a), (b), and (c) a quantity of crude helium that is the lesser of—*

- (1) the quantity of crude helium offered for sale by the Secretary during fiscal year 2012; or*
- (2) the maximum total production capacity of the Federal Helium System.*



Key Provisions

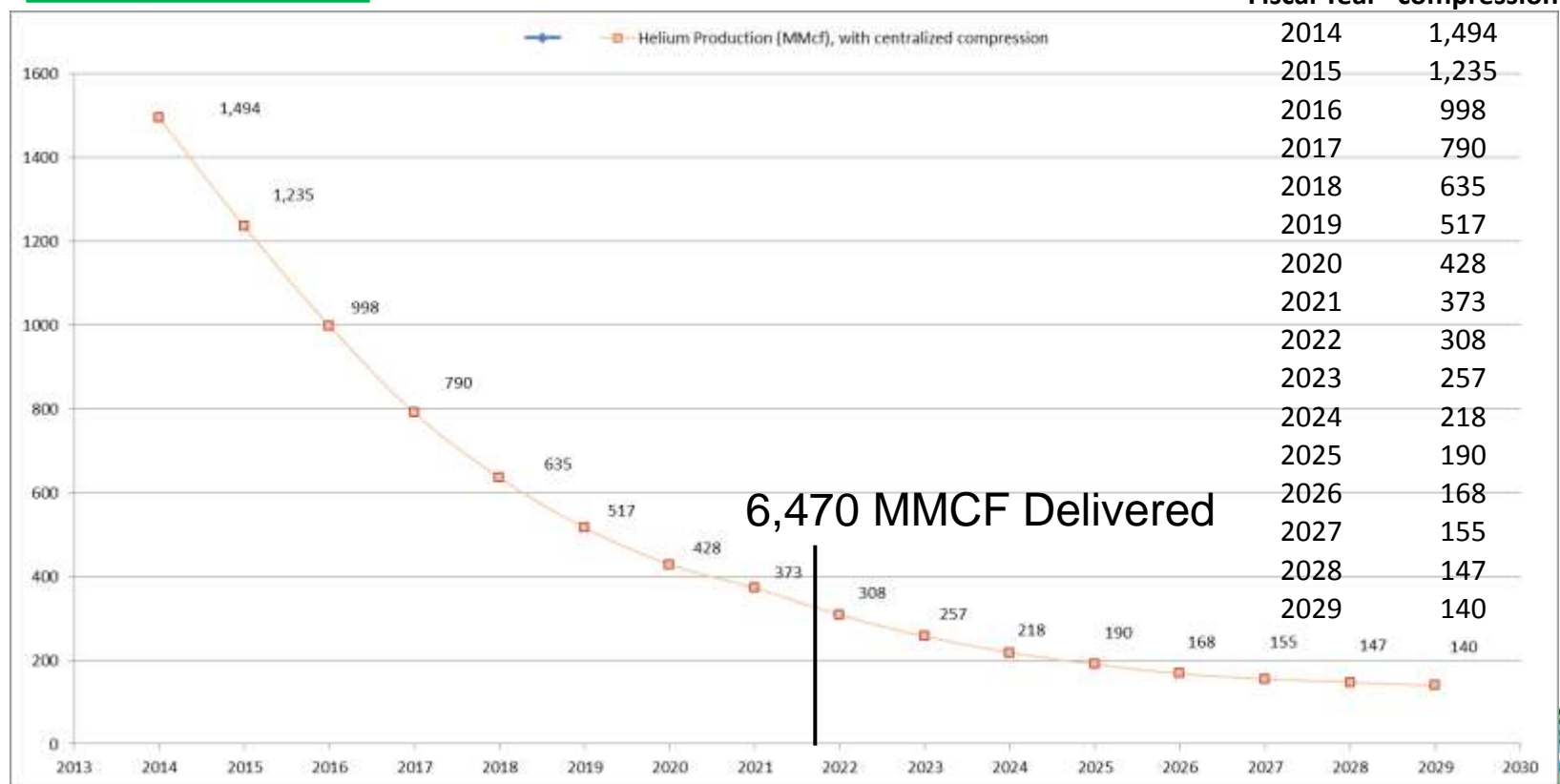
SEC. 9. REGULATIONS.

The Secretary of the Interior shall promulgate such regulations as are necessary to carry out this Act and the amendments made by this Act, including regulations necessary to prevent unfair acts and practices.



Helium Delivery Capability

Reservoir Balance- 2013
10,840 MMCF



Federal Helium Program
Bureau of Land Management
Amarillo, Texas

Fiscal Year (FY)	Forecasted Production Capability (NITEC Study) MCF	10% Contingency MCF	In-Kind Sales MCF	Total Production Available for Sale or Auction MCF	Advanced Sale for FY2016	Auction Amount MCF	Sales Amount MCF	Balance in the Reserve MCF
FY2014	1,494,000	149,400	200,000	1,144,600	0	0	400,000	9,347,100
FY2015	1,235,000	123,500	200,000	911,500	0	91,150	820,350	8,112,100
FY2016	998,000	99,800	200,000	698,200	250,000	174,550	273,650	7,114,100
FY2017	790,000	79,000	200,000	511,000	0	204,400	306,600	6,324,100
FY2018	635,000	63,500	200,000	371,500	0	204,325	167,175	5,689,100
FY2019	517,000	51,700	200,000	265,300	0	185,710	79,590	5,172,100
FY2020	428,000	42,800	200,000	185,200	0	185,200	0	4,744,100
FY2021	373,000	37,300	200,000	135,700	0	135,700	0	4,371,100
Totals:		647,000		4,223,000		1,181,035	2,297,365	

Notes:

1. Balance in the reserve is Federal helium and does not include natural (2.2 BCF) or Privately Owned helium (~1.5 BCF)



Tolling Options

- BLM act as a facilitator in the matching of “willing buyer – willing seller” for tolling services; or,
- BLM develops regulations to set price and require tolling agreements; or,
- BLM as data steward, Refiners and non-refiners use legal means to resolve issues; or
- Comment driven role



Pricing

- ✓ Market-based pricing aligns to Office of Inspector General (OIG) recommendation and HSA 2013 requirement
- ✓ Independent survey was conducted by the Office of Mineral Evaluation
- ✓ *Determination of Fair Market Value Pricing of Crude Helium*
- ✓ Three options
 1. Private Spigot Price
 2. Weighted Bulk Price
 3. Weighted Helium All Modes
- ✓ Option 2 Aligns to HSA 2013 and was selected

Formula is straightforward

Weighted average bulk price (2013 data)	\$172.83
X Calculated % (Crude of Market)	0.55
= BLM Crude Price (rounded)	\$95.00



Auctions

- Live Auction
- GSA Auction (Ebay style)
- Sealed Bids
- BLM envisions lots (sized at 5 MMCF to 10 MMCF)



In-Kind Program

- Program to ensure Federal users have helium supply priority
- Regulated in 43 CFR 3195
- BLM re-delivers 100% In-kind reimbursement helium first before private storage
- Ownership transfers to private companies 6 -8 months after sale
- MOU's for Federal agencies, if no bids on new helium contracts
- BLM is seeking ways to improve regulations



Proposed Timeline

FY 2015 Sale and Auction; and, FY 2016 Advanced Sale

- **Mar 6** - Public Scoping Meeting to Solicit Comments
- **Mar 15** - Non-Refiners report tolling experiences
- **Mar 21** - Public comment period closes; and,
Drafting of Federal Register notice
- **Apr 15** - 3rd Party Pricing Survey of qualified domestic helium transactions; and Federal Register notice for Auctions released
- **May 15** - Survey results received; and 10% Auction (FY 2015 Redelivery) Notice (non-allocated auction)
- **May 31** - Second pay date for FY 2014 Sale
- **Jun 16** - 10% Auction completed
- **Jun 17** - 10% Auction results published



Proposed Timeline

- **Jun 23** - Invitation for Offer released for FY 2015 and FY 2016 Advanced Sale (allocated sales)
- **Jul 11** - FY 2015 sale complete
- **Jul 14** - FY 2015 sale results published
- **Jul 18** - 10% Auction revenues collected
- **Jul 28** - FY 2016 Advance Sale complete
- **Aug 1** - FY 2016 advanced sale results published; and Auctioned volumes transferred into storage holders' accounts
- **Sep 14** - FY 2015 and FY 2016 revenues collected
- **Sep 30** - Notice of intent to revise existing storage contracts
- **Oct 1** - Helium balances transferred to storage accounts



Questions?

Web site:

http://www.blm.gov/nm/st/en/prog/energy/helium_program.html

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